

June 25, 2002

CENTRAL MAINE POWER COMPANY  
Alternate Rate Plan (Post-Merger) "ARP 2000"

ORDER APPROVING  
STIPULATION

WELCH, Chairman; NUGENT and DIAMOND, Commissioners

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## **I. SUMMARY**

On November 16, 2000, we issued an Order Approving Stipulation which put into place a second Alternative Rate Plan for Central Maine Power Company (CMP) entitled "ARP 2000." In this Order, we approve a Stipulation which requires CMP to decrease its distribution rates by 4.55% as part of the second price change under ARP 2000. In addition, under the terms of the Stipulation, CMP will remove a one-time increase in rates approved in last year's price change to cover previously deferred revenues. See *Central Maine Power Company, Annual Price Change Pursuant to Alternative Rate Plan (Post-Merger) ARP 2000, Order Approving Stipulation*, Docket No. 2001-191 (June 25, 2001). The overall impact of these changes is to reduce distribution rates on average by 4.84%.

## **II. BACKGROUND AND DESCRIPTION OF THE STIPULATION**

Under the terms of the ARP 2000 Stipulation CMP is required to submit specific information each year on March 15 to be used to compute the annual allowable price change to go into effect on July 1 of that year. On March 15, 2002, CMP submitted its second annual ARP 2000 filing for rates to go into effect on July 1, 2002. In its filing, CMP proposed to decrease its distribution rates by 5.51%. The proposed decrease was composed of the following components: a .16% decrease resulting from the basic inflation minus productivity formula; 2.9% decrease resulting from an adjustment for expiring amortizations; a .43% decrease resulting from a flow-through O'Connor site insurance proceeds; a 1.03% decrease resulting from a flow-through of Electric Lifeline Program over-collections; and a .98% decrease resulting from the "over-collection,"<sup>1</sup> as of December 31, 2001, of Demand-Side Management (DSM) revenues. The last four items in CMP's proposal were to be one-time rate changes and would be removed from distribution rates in CMP's next ARP 2000 proceeding.

The Company also noted in its filings that it had incurred \$1,567,000 in mandated costs which consisted of a \$211,000 increase in its regulatory assessment and \$1,323,000 in costs associated with two snow storms and one wind storm. Since the

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<sup>1</sup>As reported by CMP, the Company has collected more revenue in its rates for DSM than it has spent. Depending on how one looks at the issue, this "over-collection" could also be viewed as an "under-spending."

total of these mandated costs was less than the \$3,000,000 aggregate threshold, no mandated costs were included in the rate change proposal.

On March 18, 2002, the Commission issued a Notice of Proceeding which provided interested persons with an opportunity to intervene in this matter. Timely petitions to intervene were filed by the Office of Public Advocate (OPA) and by the Industrial Energy Consumers Group (IECG) which were granted without objection. A late-filed petition to intervene was filed by Jean Mayhew Carter, a CMP ratepayer. Ms. Carter's petition was granted subject to the condition that she "take the case as she finds it." Technical conferences on CMP's proposal were held on April 11, 2002 and on May 7, 2002.

On May 30, 2002, we received a Stipulation entered into between CMP and the OPA which resolved all issues in this matter. The Commission has been informed that the other parties to this matter, the IECG and Ms. Carter, do not oppose the Stipulation.<sup>2</sup>

Under the terms of the Stipulation, CMP would decrease its price capped distribution rates by 4.55%. The most significant modification to CMP's proposal was the removal of CMP's proposed flow-through of the DSM over-collection/under-spending in this rate change. Since the issue of the treatment of DSM collections will be addressed in Docket No. 2002-161, the DSM funding case, the parties agreed not to address the issue here and thus to remove the DSM flow-through from this year's rate change. In addition to the removal of the DSM flow-through, the parties to the Stipulation made minor modifications to CMP's filing to reflect an updated inflation index, an additional flow-through for recent ice storm cost reimbursements, and minor revisions to CMP's rate cap change calculations.

Finally, similar to last year's annual price change Stipulation, the parties note that they do not agree as to whether the items claimed to be mandated cost items by CMP qualify for recovery under the ARP 2000 Stipulation. However, since the total of the claimed items was less than the \$3 million threshold for recovery, the parties agreed that the Commission should not resolve this matter at this time.

### III. DECISION

As we have now stated on many occasions, to accept a stipulation the Commission must find:

1. the parties joining the stipulation represent a sufficiently broad spectrum of interests that the Commission can be sure that there is no appearance or reality of disenfranchisement;

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<sup>2</sup>On June 6, 2002, CMP filed a letter with the Commission which corrected an error in the rate calculation for the MGS-P class reflected on Attachments 4 and 5 to the Stipulation.

2. the process that led to the stipulation was fair to all parties; and
3. the stipulated result is reasonable and is not contrary to legislative mandates.

See *Central Maine Power Company, Proposed Increase in Rates*, Docket No. 92-345(II), Detailed Opinion and Subsidiary Findings (Me. P.U.C. Jan. 10, 1995), and *Maine Public Service Company, Proposed Increase in Rates (Rate Design)*, Docket No. 95-052, Order (Me. P.U.C. June 26, 1996). We have also recognized that we have an obligation to ensure that the overall stipulated result is in the public interest. See *Northern Utilities, Inc., Proposed Environmental Response Cost Recovery*, Docket No. 96-678, Order Approving Stipulation (Me. P.U.C. April 28, 1997). We find that the proposed Stipulation in this case meets these criteria.

The Stipulation before us was entered between the Company and the OPA. In past cases, we have found that these two entities, representing often opposite views in the ratemaking process, constitute a sufficiently broad spectrum of interests to satisfy the first criteria. See *Public Utilities Commission, Investigation of Stranded Cost Recovery, Transmission and Distribution Utility Revenue Requirements and Rate Design of Bangor Hydro-Electric Company (Phase II)*, Docket No. 97-596, Order at 6 (Feb. 29, 2000) and *Maine Public Utilities Commission, Investigation of Retail Electric Transmission Services and Jurisdictional Issues*, Docket No. 99-185, Order Approving Stipulation (Maine Public Service Company) at 3 (Aug. 11, 2000). In this case, we also note that our Advisory Staff was an active participant in the settlement process and has not indicated any objection to the Stipulation. We are, therefore, satisfied that a broad spectrum of interests are represented by the Stipulation.

We also find that the second criterion has been met in this case. Our review of the procedural history in this case also indicates that all procedural safeguards were satisfied in this instance. While the IECG and Ms. Carter have not signed the Stipulation, they have not objected to either the substance of the Stipulation or to the process that led up to the Stipulation.

Finally, we find that the stipulated result is reasonable, not contrary, to the public interest and consistent with legislative mandates. As a general matter, alternative rate plans such as the ARP 2000 are designed to reduce the amount of regulatory litigation over a utility's rates by tying rates to a specific rate change formula. We find that the Stipulation here is consistent with the ARP 2000 rate change formula approved by the Commission in *Central Maine Power Company, Request for Approval of the Alternative Rate Plan (Post-Merger) "ARP 2000"*, Docket No. 99-666, Order Approving Stipulation (Nov. 16, 2000). In this case, we are faced with the somewhat unique situation where the decrease proposed by CMP in the initial filing was greater than the decrease agreed to in the Stipulation entered into between the Company and the OPA and supported by our Staff. As noted above, this change was the result of the removal of CMP's proposed flow-through of the DSM over-collection/under-spending. The Maine

Legislature recently enacted L.D. 420, An Act to Strengthen Energy Conservation, which directed the Commission to develop and implement conservation programs consistent with the requirements set forth in the legislation. 35-A M.R.S.A. § 1311-A. The Commission is currently in the process of developing both the initial interim funding mechanisms and program criteria to implement this new legislation. *See Public Utilities Commission, Interim Electric Conservation Programs*, Docket No. 2002-161. We agree with the recommendation in the Stipulation then that the issue of how CMP's prior DSM over-collection/under-spending should be treated as part of our overall decision on DSM funding in Docket No. 2002-161.

Accordingly, it is

ORDERED

1. That the Stipulation entered into between Central Maine Power Company and the Office of Public Advocate, filed with the Commission on May 30, 2002 and amended by way of a letter to the Commission dated June 6, 2002, is approved. A copy of the Stipulation, as amended, is attached hereto and incorporated by reference.

2. That pursuant to the provisions of the Stipulation, effective July 1, 2002, CMP shall remove from its rates the one-time flow-through of \$772,000 approved in last year's annual ARP 2000 proceeding, Docket No. 2001-191, and shall further reduce its capped distribution rates by 4.55%.

Dated at Augusta, Maine, this 25<sup>th</sup> day of June, 2002.

BY ORDER OF THE COMMISSION

Dennis L. Keschl  
Administrative Director

COMMISSIONERS VOTING FOR: Welch  
Nugent  
Diamond

## NOTICE OF RIGHTS TO REVIEW OR APPEAL

5 M.R.S.A. § 9061 requires the Public Utilities Commission to give each party to an adjudicatory proceeding written notice of the party's rights to review or appeal of its decision made at the conclusion of the adjudicatory proceeding. The methods of review or appeal of PUC decisions at the conclusion of an adjudicatory proceeding are as follows:

1. Reconsideration of the Commission's Order may be requested under Section 1004 of the Commission's Rules of Practice and Procedure (65-407 C.M.R.110) within 20 days of the date of the Order by filing a petition with the Commission stating the grounds upon which reconsideration is sought.
2. Appeal of a final decision of the Commission may be taken to the Law Court by filing, within **21 days** of the date of the Order, a Notice of Appeal with the Administrative Director of the Commission, pursuant to 35-A M.R.S.A. § 1320(1)-(4) and the Maine Rules of Appellate Procedure.
3. Additional court review of constitutional issues or issues involving the justness or reasonableness of rates may be had by the filing of an appeal with the Law Court, pursuant to 35-A M.R.S.A. § 1320(5).

Note: The attachment of this Notice to a document does not indicate the Commission's view that the particular document may be subject to review or appeal. Similarly, the failure of the Commission to attach a copy of this Notice to a document does not indicate the Commission's view that the document is not subject to review or appeal.